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Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street S.W.
Washington, D.C. 20554

Re: CC Docket No. 01-92 on Intercarrier Compensation

Dear Ms. Dortch:

Pursuant to Indiana Code §§ 8-1-1.1-1, *et seq.*, the Indiana Office of Utility Consumer Counselor ("IN-OUCC") is the statutory representative of all Indiana utility ratepayers, consumers, and the public in state and federal regulatory or judicial proceedings that affect Indiana utility consumers. The Indiana OUCC is also a member of the National Association of State Utility Consumer Advocates ("NASUCA"), which filed comments in this proceeding on behalf of utility consumers in member states. The Indiana Office of Utility Consumer Counselor ("IN-OUCC") submitted initial comments in this proceeding on May 23, 2005,[1] and submits these reply comments for the Commission's further consideration.

**NASUCA's plan is reasonable and fair.** From a consumer's perspective, the NASUCA proposal submitted as part of the FCC's Further Notice of Proposed Rulemaking ("FNPRM") appears to be the most fair and

[1] The OUCC notes the following corrections to its initial comments: (A) The fourth bullet point on page 2 should read, "Any regime based on elimination of the calling party pays ("CPP") principle should be based on facts and specific data, not mere opinion;" and (B) The third line of the bullet point at the top of page 3 should read: "… the final intercarrier compensation support mechanisms should only apply to …."

reasonable approach to developing a unified intercarrier compensation ("ICC") regime. The NASUCA plan provides relief to local exchange carriers ("LECs") for reducing their interstate carrier access charges, spares consumers the pain of major forced subscriber line charge ("SLC") increases without an appropriate review of LECs' earnings levels, and has only a moderate impact on the overall size of the federal Universal Service Fund ("USF") and support mechanisms. The NASUCA method permits revenue relief for rural LECs without giving windfalls to larger LECs.

**NASUCA's plan avoids a mandatory "bill and keep" regime**. Unlike the Intercarrier Compensation Forum ("ICF")[2] proposal, NASUCA's ICC plan does not require carriers to replace ICC with a "bill and keep" regime. Several members of the industry agree with NASUCA that a mandatory bill and keep process such as that proposed by the ICF ignores the basic principles of cost causation which would require all network users to help pay network costs. Further, the bill and keep method is based on a simplified and often erroneous assumption that the traffic between interconnecting carriers is balanced in each direction – something that is seldom true in the real world.[3]

**NASUCA's plan does not automatically shift full recovery of lost access revenues on to consumers.** Most of the "make-whole" concepts telecommunications carriers have promoted in recent years have shifted the entire burden of making up for decreased access revenues onto end-user customers. It is important to remember that basic access to telecommunications is an essential need which must remain affordable to all consumers. The NASUCA proposal does not guarantee automatic and full replacement of lost access charge revenues, yet it does provide opportunities for LECs to regain some of the access revenues lost as a result of ICC restructuring.

**NASUCA's plan discourages significant, automatic rate increases in a declining cost industry**. The Indiana OUCC joins NASUCA in opposing further automatic increases in SLC caps. Some of the other ICC plans propose SLC increases over time of $10.00 or more per month for all retail customers. The ICF approach goes even further, suggesting that after the initial SLC increase, there should be ongoing, automatic SLC increases based

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[2] ICF members include SBC, Sprint, AT&T and MCI.

[3] See the last sentence of the second paragraph on p. 39 and the last paragraph on p. 39 of NASUCA's Initial Comments filed in this proceeding on May 23, 2005.

on inflation.[4] The widely accepted economic view is that basic local wireline service is a declining cost industry. That includes the cost of access. Consumers' minimum rates for local landline service should not continue to increase through escalating SLCs when the actual cost of providing service is dropping.

**NASUCA's plan reduces the risk of future rate shock for landline customers in the event the FCC ultimately exempts emerging technologies from ICC requirements.** Voice over internet protocol ("VOIP") service is provided using a relatively new technology. If the FCC ultimately decides that VOIP services are exempt from SLCs, uneconomic local service prices for traditional landline service (which include SLCs) could literally force consumers to switch to VOIP service before important consumer issues are resolved (locating accuracy for E-911 calls, service reliability during AC power failures, etc.).[5]

**NASUCA's plan protects the USF from unnecessary expansion, thereby protecting consumers from unnecessary increases in federal USF surcharges.** Several of the industry plans, if adopted, would put increased pressure on the size and structure of the federal USF and the underlying funding mechanisms. In contrast, NASUCA's proposal would have only a moderate impact on current federal USF programs.

**NASUCA's plan acknowledges the likelihood of continued technological change in the telecommunications industry.** In its initial comments, NASUCA acknowledged that, although switching costs remain traffic sensitive, it might be appropriate to move to a capacity-based pricing system at a future point in time,[6] indicating that the use of a capacity-based ICC system could be considered after a 5-year phase-down of ICC rates. The OUCC supports NASUCA's proposed use of an interim solution to give the Commission more time to consider all of the possible impacts of a more permanent change in the federal ICC regime, including the possible impacts on current federal Universal Service programs.

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[4] In Bell South's proposal, larger carriers would have a SLC cap of $12.00 per customer per month, while rural carriers would have an even higher cap on monthly SLCs.

[5] The IN-OUCC does not intend this discussion to be an argument for VOIP exemption from SLCs, but raises that possibility to show some of the potential adverse impacts on consumers.

[6] See Affidavit of Dr. David Gabel filed with NASUCA's Initial Comments in this proceeding.

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

By:

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